

C O P Y

ER: 61-4290

H. D. Lutz

20 May 1961

Dear Elmer:

In accordance with our conversation of April 20, I am enclosing a memorandum outlining the current status of the UN financial problem. A paper entitled "United Nations Funding of Emergencies," which deals with the long-range problem, is being cleared within the Department and will be made available to your staff soon.

With my warmest regards,

Sincerely,

Chester Bowles

Enclosure:

Memorandum outlining status
of UN financial problem.

Mr. Elmer B. Staats,
Deputy Director,
Bureau of the Budget.

ER

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ENCLOSURE

UNITED NATIONS CASH PROBLEM

Status as of May 1, 1961
(In Millions)

following is a summary of the latest estimates of the United Nations cash situation for calendar year 1961:

	<u>Income</u>	<u>Disbursements</u>	<u>Shortage</u>	<u>Loans From Special Fund</u>	<u>Balance Required</u>
January 1, 1961				5.	
1st quarter	241.2	43.7	2.5	2.5	—
2nd quarter	19.7	50.1	30.4	23.5	6.9
3rd quarter	43.5	52.0	8.5	—	8.5
4th quarter	<u>6.3</u>	<u>47.1</u>	<u>20.8</u>	<u>—</u>	<u>40.8</u>
	110.7	192.9	82.2	31.	56.2

Above figures:

1. Exclude collections in 1961 of ONUC assessments for 1961.
2. Assume 1961 ONUC disbursements of \$79 million, with \$41 million unliquidated obligations at December 31, 1961.
3. Assume December 31, 1961 unliquidated obligations for UNEF \$17.3 million, regular budget \$3 million.

The above estimates of income and disbursements for calendar year 1961, excluding collections for ONUC 1961, indicate a deficit of \$56.2 million as of December 31, 1961, plus borrowings of \$31 million and unliquidated obligations of approximately \$61.3 million. Much of the unliquidated obligations will be amounts owed to governments for the reimbursement of extra and extraordinary costs in connection with troops furnished to UNEF and ONUC.

Assuming collections of \$47.5 million from the United States for ONUC 1961, and Canadian and UK payment of their ONUC 1961 assessments during 1961, it appears that the United Nations will be able to manage as far as current cash is concerned at least through December 31, 1961. Additional sources of funds will be required thereafter, however.

General Assembly Action on Congo 1961 Costs

The Secretary General estimated the calendar year 1961 costs of ONUC at \$135 million; the Advisory Committee on Administrative and Budgetary Questions cut this estimate to \$120 million. The General Assembly at its resumed session appropriated \$100 million to cover the cost of the operation for 10 months, January 1-October 31, 1961.

The Assembly assessed the total against the membership on the basis of the regular United Nations assessment scale, with a reduction in assessments for those countries least able to pay. The reduction was made possible by a United States voluntary contribution of \$15.3 million.

It is proposed to handle the United States contribution toward 1961 Congo costs as follows:

1. The assessment of \$32.2 million will be submitted as a supplemental appropriation request, under "Contributions to International Organizations" in the State Department budget, for appropriation this spring.
2. Five million dollars of the voluntary contributions will be paid from Mutual Security fiscal year 1961 contingency funds.
3. The balance of \$10.3 million of the voluntary contribution will be included in Mutual Security fiscal year 1962. Part or all of this will probably be a waiver of airlift and related costs.

Other Actions

1. Our contributions to ONUC 1960 costs, both assessed and voluntary, have been paid.
2. Defense has been reimbursed the \$10.3 million initial airlift costs.
3. On April 28 we forwarded \$10 million as an advance contribution to UNICEF, which the Secretary General can borrow.
4. We can pay an additional \$10 million to UNTA and the Special Fund as an advance contribution on our 1961 pledge which could be borrowed by the Secretary General, if and when it is needed.

Future Steps

1. The General Assembly established a committee to study the problem of methods of financing peace and security operations, which is to report to the 16th General Assembly this fall.
2. It now appears that the United Nations can survive cash-wise through the end of 1961 without governmental advances. Some steps toward providing governmental advances or loans will have to be taken early in 1962, however.

3. The Department is now working on a plan which would provide for cash advances to meet the problem of financing peace and security operations, with repayment spread over a period of years.